

**LEGISLATIVE SERVICES AGENCY  
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**FISCAL IMPACT STATEMENT**

**LS 6084**

**BILL NUMBER: SB 44**

**NOTE PREPARED:** Nov 16, 2010

**BILL AMENDED:**

**SUBJECT:** Homestead Assessed Value Growth Cap.

**FIRST AUTHOR:** Sen. Steele

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:**     **GENERAL**  
                              **DEDICATED**  
                              **FEDERAL**

**IMPACT:** Local

**Summary of Legislation:** This bill limits the annual increase in assessed value of a homestead to 2% unless: (1) ownership of the homestead changes during the year; or (2) the increase results from physical changes to the homestead.

**Effective Date:** January 1, 2012.

**Explanation of State Expenditures:**

**Explanation of State Revenues:**

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:** Under current law, real property assessed values (AV) are adjusted each year. Beginning with taxes payable in CY 2012, this bill would limited homestead AV increases to 2% in each year unless the property has undergone a physical change or there is a change in ownership.

The average annual increase in value for homes sold in Indiana from 2000 through 2007, before housing values fell, was about 2.7%. Current estimates predict an average 3.5% growth rate in the state for taxes payable in both 2013 and 2014.

If the increase in a home's AV would otherwise exceed 2%, the limitation under this bill would create a tax shift from the taxpayers at the limit to all other taxpayers through an increased tax rate.

The higher tax rate and lower assessed values would increase the exposure to the circuit breaker caps. This would cause a reduction in net tax bills and a corresponding reduction in local property tax collections. The actual impact would depend on local factors.

<b>Estimated Net Property Tax and Circuit Breaker Changes</b>				
<b>Net Tax by Property Type</b>	<b>2013</b>		<b>2014</b>	
Homesteads	-29.1 M	-1.4%	-57.6 M	-2.8%
Farmland	+1.9 M	+0.6%	+3.7 M	+1.2%
Other Residential	+3.4 M	+0.4%	+6.9 M	+0.9%
Commercial Apartments	+0.6 M	+0.2%	+1.3 M	+0.5%
Ag.Business (Ex. Farmland)	+0.8 M	+0.7%	+1.6 M	+1.4%
Other Real Property	+10.9 M	+0.6%	+22.7 M	+1.2%
Personal Property	+5.1 M	+0.6%	+10.1 M	+1.1%
<b>TIF Proceeds</b>	+3.0 M	+0.6%	+6.2 M	+1.2%
<b>Circuit Breakers</b>	+11.5 M	+2.2%	+21.4 M	+4.3%

**State Agencies Affected:** Department of Local Government Financing.

**Local Agencies Affected:** County and township assessors; Local taxing units impacted by circuit breaker credits.

**Information Sources:** *2Q 2010 Purchase-Only Indexes for Each State*, Office of Federal Housing Enterprise Oversight; *Home Price, Existing Average* historic series and forecast series, Global Insight.

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